

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 EA-11 NEA-10 ADP-00 TRSE-00 XMB-07

COME-00 CEA-02 FRB-02 AID-20 IGA-02 PM-07 NSC-10

SS-15 RSC-01 L-03 H-02 CIAE-00 INR-10 NSAE-00 PA-03

PRS-01 USIA-12 CIEP-02 STR-08 DPW-01 SR-02 ORM-03

IO-12 RSR-01 OMB-01 /185 W
----- 025976

P R 241722 Z MAY 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 1473

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY DACCA

AMEMBASSY ISLAMABAD

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 06151

E. O. 11652: GDS

TAGS: EFIN, BG, PK, IBRD

SUBJECT: PAKISTAN/ BANGLADESH DEBT

REF: STATE 98396

1. AS INSTRUCTED REFTEL WE CONVEYED SUBSTANCE US
THINKING ON PAKISTAN/ BANGLADESH DEBT TO J. F. L. BUIST,
HEAD OF SOUTH ASIA DEPARTMENT OF OVERSEAS DEVELOPMENT
ADMINISTRATION (ODA). BUIST WAS EXTREMELY APPRECIATIVE
OF INFORMATION AND ADVISED US THAT HE HAD SENT SIMILAR
COMMUNICATION TO BRITISH EMBASSY WASHINGTON, SUBSTANCE
OF WHICH SHOULD BE CONVEYED TO DEPARTMENT TODAY (MAY 24).
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2. MAIN POINTS OF BRITISH VIEW OF DEBT SITUATION ARE
FOLLOWING:

(A) UNITED POSITION AND EVEN- HANDED TREATMENT OF
PAKISTAN/ BANGLADESH IS NECESSARY.

(B) HMG BELIEVES BASIC FACTS OF SITUATION ARE:

(1) IT IS UNLIKELY THAT PAKISTAN WILL BE MOVED
FROM DECLARED INTENTION TO CEASE " EAST
PAKISTAN" DEBT SERVICE AFTER JUNE 30.

(2) PAKISTAN HAS DECLARED ITS INTENTION TO
CONTINUE TO SERVICE THE DEBTS IT
ATTRIBUTES TO WEST PAKISTAN.

(3) BANGLADESH CANNOT BE PERSUADED TO DISCUSS
DEBT LIABILITY BEFORE IT IS RECOGNIZED BY
PAKISTAN BUT IT LIKELY IT WILL EVENTUALLY
ACCEPT SOME LIABILITY.

(4) BANGLADESH CANNOT AT PRESENT AFFORD TO
SERVICE DEBT.

(C) THERE SEEMS TO BE LITTLE PROSPECT OF FURTHER
USEFUL NEGOTIATIONS WITH EITHER PARTY BEFORE
JUNE 30.

(D) HMG CONCLUDES THAT A " HOLD" AS PROPOSED BY
CARGILL IS ONLY REALISTIC APPROACH, BUT DO NOT
ACCEPT SUGGESTION THAT CREDITORS ACCEPT A HOLD
" IN SILENCE" AND WOULD PREFER COLLECTIVE
AFFIRMATION BY CREDITORS.

(E) HMG ENVISAGES THAT DURING " HOLD" NORMAL AID
RELATIONS WOULD BE RESUMED AND CONDITIONALITY
IMPOSED AT PARIS MEETING AND DACCA AID GROUP
WOULD BE LIFTED. BRITISH WOULD HOPE THAT UNDER
FORMULA THEY HAVE IN MIND PAKISTAN WOULD

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IO-12 RSR-01 OMB-01 /185 W
----- 025954

P R 241722 Z MAY 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 1474

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY DACCA

AMEMBASSY ISLAMABAD

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 06151

CONTINUE TO ACCEPT RESPONSIBILITY FOR ALL DEBTS
NOT ATTRIBUTABLE TO BANGLADESH, INCLUDING ANY
"GREY AREA" NOT YET ATTRIBUTED.

(F) AS SOON AS PAKISTAN RECOGNIZES BANGLADESH THE
CREDITORS SHOULD PRESS BANGLADESH TO ACCEPT
LIABILITY FOR A SHARE OF THE DEBT. CREDITORS
WOULD THEN DISCUSS DEBT RELIEF ARRANGEMENTS.

3. BRITISH EMBASSY HAS ALSO RECEIVED TEXT OF "POSSIBLE
FORMULA FOR DECLARATION BY CONSORTIUM CREDITORS", A COPY
OF WHICH IS TO BE HANDED OVER TO DEPARTMENT AS WELL AS
IBRD.

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4. BUIST'S INITIAL REACTION TO OUR POSITION WAS THAT A
BASIC DIFFERENCE BETWEEN IT AND THAT OF HMG IS THAT
BRITISH DO NOT THINK MUCH CAN BE ACCOMPLISHED BETWEEN

NOW AND JUNE 30. HOWEVER, HE FOUND US PROPOSALS TO BE OF INTEREST AND FELT THAT THEY COULD BE BASIS OF FORWARD MOVEMENT ON THIS PROBLEM. HE SEEMED ANXIOUS TO DISCUSS THEM FURTHER WITHIN HMG PRIOR TO MAY 30 MEETING.

5. FCO ASIA DEPT ASSISTANT HEAD SLATER, WHOM WE SAW SAME DAY, THOUGHT USG PROPOSAL OBVIOUSLY MORE ADVANTAGEOUS TO CREDITORS SINCE CARGILL APPROACH, ON WHICH BRITISH THINKING BASED, RISKED SHELIVING ENTIRE DEBT FOR INDEFINITE FUTURE, SOMETHING WHICH JAPANESE IN PARTICULAR WOULD FIND DIFFICULT TO ACCEPT IN VIEW OF THEIR OWN INTERNAL LEGAL REQUIREMENTS. HOWEVER, BIG QUESTION WAS WHETHER PAKISTANIS COULD BE BROUGHT TO BUY IT. HE EXPRESSED KEEN INTEREST IN US VIEW THAT PAKISTANIS WOULD AGREE (PARA 6 REFTEL) AND WANTED TO KNOW ON WHAT US BASES THIS ESTIMATE.

6. ACTION REQUESTED: WOULD WELCOME DEPARTMENT'S FURTHER COMMENT.

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*** Current Classification *** CONFIDENTIAL

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Subject: PAKISTAN/ BANGLADESH DEBT
TAGS: EFIN, BG, PK, IBRD
To: BONN
BRUSSELS
DACCA
EB
ISLAMABAD
OTTAWA
PARIS

ROME

SECSTATE WASHDC

Type: TE

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